# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:3585
ANSWERED ON:15.12.2006
LIC AGENTS
Acharia Shri Basudeb;Madhwaraj Smt. Manorama;Veerendra Kumar Shri M.P.

**Will the Minister of FINANCE be pleased to state:**

(a) whether limit for income tax rebate for all is Rs.1 lakh while rebate for income tax for Life Insurance Corporation(LIC) agents is Rs. 5000/-;

(b) if so, the details thereof and the reasons therefor;

(c) whether the Government has received any proposals in regard to amendment of Gratuity Rules for calculating gratuity of LIC agents;

(d) if so, the details and the reaction of the Government thereto;

(e) whether LIC has introduced lapsation criteria which have been adversely affecting the LIC agents;

(f) if so, the details thereof; and

(g) the drop out rate of agents?

## Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): Yes, Sir.

(b): The Life Insurance Corporation of India (LIC) have informed that as per Finance Act, 2006, in case of individual assessee, tax on income exceeding Rs.l lakh is chargeable whereas the tax deduction at source (TDS) at the rate of 10% is on total commission exceeding Rs.5000/- received by LIC agent. The threshold limit of Rs.5000/- in respect of TDS from commission paid to insurance agent was fixed as per provisions of the Finance Act,1987 w.e.f 01.06.1987.

(c): No, Sir.

(d): Does not arise.

(e) to (g): LIC have informed that the lapsation criteria was introduced in the revised Club Membership Rules w.e.f. 1.4.2001. The clause does not adversely affect the LIC Agents. In case, the policy lapsation ratio of particular agent exceeds 15%, his Club Membership is cancelled. But all other benefits which, inter alia, include commission, term assurance and gratuity are paid continuously to the agent. The drop out rate of the agents was 17.52% in the year 2004-05. It has been successfully brought down to 15.72% in the year ending on 31.03.2006.